involving the lending or sale of securities that is collateralized by cash delivered to the banking organization, the transaction is deemed to be collateralized by cash on deposit in a subsidiary lending institution for purposes of determining the appropriate risk-weight category, provided that any indemnification is limited to no more than the difference between the market value of the securities and the cash collateral received and any reinvestment risk associated with that cash collateral is borne by the customer.

* * *

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Attachment III * * *

Category 1: Zero Percent * * *

5. Claims collateralized by cash on deposit in the subsidiary lending institution or by securities issued or guaranteed by OECD central governments or U.S. government agencies for which a positive margin of collateral is maintained on a daily basis, fully taking into account any change in the bank's exposure to the obligor or counterparty under a claim in relation to the market value of the collateral held in support of that claim.* * *

Category 2: 20 Percent * * *

8 The portions of claims that are collateralized[3] by cash on deposit in the subsidiary lending institution or by securities issued or guaranteed by the U.S. Treasury, the central governments of other OECD countries, and U.S. government agencies that do not qualify for the zero percent risk-weight category, or that are collateralized by securities issued or guaranteed by U.S. government-sponsored agencies.* * *

* * * * *

Board of Governors of the Federal Reserve System, December 23, 1992.

William W. Wiles,

Secretary of the Board.

[FR Doc. 92-31702 Filed 12-29-92; 8:45 am]

BILLING CODE 6210-01-F

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12 CFR Part 264

[Docket No. R-0788]

Employee Responsibilities and Conduct

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) is amending its regulations regarding employee responsibilities and conduct by removing the Board's confidential reporting requirements relating to employment and financial interests. These regulations have been superseded by regulations issued by the Office of Government Ethics (OGE) that took effect on October 5, 1992. This rule is intended to conform the Board's rules to the OGE's regulations.

EFFECTIVE DATE: December 30, 1992.

FOR FURTHER INFORMATION CONTACT: Cary K. Williams, Senior Attorney, (202/452-3295), or Timothy J. Byrne, Attorney, (202/452-3565), Legal Division, Board of Governors of the Federal Reserve System. For the hearing impaired *only*, Telecommunications Device for the Deaf (TDD), Dorothea Thompson (202/452-3544), Board of Governors of the Federal Reserve System, 20th and C Street, NW., Washington, DC 20551.

SUPPLEMENTARY INFORMATION:

The OGE, pursuant to title I of the Ethics in Government Act of 1978, as amended by the Ethics Reform Act of 1989 and related legislation pertaining to executive branch employees and Executive Order 12674, has issued an interim rule that revises the confidential financial disclosure system for the executive branch of the United States government. The interim rule requires executive branch agencies to review their existing confidential financial disclosure regulations to determine if they need to be removed or modified to conform with the new rule. Certain provisions of part 264 of the Board's regulations are superseded by the regulations set forth in subpart I of the interim rule published at 57 FR 11826 on April 7, 1992 (to be codified as subpart I of 5 CFR part 2634). Therefore, the Board has determined that part 264 should be amended by removing the superseded sections.

In accordance with the Administrative Procedure Act (5 U.S.C. § 553), it is the practice of the Board to offer interested parties the opportunity to comment on proposed regulations. Adhering to the normal notice and comment procedures and the 30-day post-publication waiting period is unnecessary in this case because the OGE regulations became effective on October 5, 1992.

Regulatory Flexibility Act Analysis

Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. 96-354, 5 U.S.C. § 601 *et seq.*), the Board certifies that this rule will not have a significant economic impact on a substantial number of small entities. The amendment is a removal of regulations governing employee financial disclosure statements that have been superseded by regulations issued by the OGE that became effective October 5, 1992, and would not have a substantial effect on particular small entities.

List of Subjects in 12 CFR Part 264

Conflicts of interests, Federal Reserve System.

For the reasons set forth in the preamble, and pursuant to the Board's authority under the Ethics Reform Act of 1989, the Board is amending 12 CFR part 264 as follows:

PART 264—EMPLOYEE RESPONSIBILITIES AND CONDUCT

1. The authority citation for part 264 continues to read as follows:

Authority: E.O. 11222, 3 CFR, 1964-1965 Comp.; 5 CFR 735.104.

2. Section 264.735-4 is removed and reserved.

3. Section 264.735-8 is removed.

4. Appendix A to part 264 is removed.

By order of the Board of Governors of the Federal Reserve System, December 23, 1992.

William W. Wiles,

Secretary of the Board.

[FR Doc. 92-31703 Filed 12-29-92; 8:45 am]

BILLING CODE 6210-01-F

FEDERAL HOUSING FINANCE BOARD

12 CFR Part 910

[No. 92-750]

Leverage Ratio on Consolidated Federal Home Loan Bank Debt

AGENCY: Federal Housing Finance Board.

ACTION: Final rule.

SUMMARY: The Federal Housing Finance Board (Finance Board) is revising its regulations regarding leverage of the Federal Home Loan Bank (FHLBank) System by expanding the definition of debt to include certain senior unsecured liabilities and to increase the permitted debt to capital ratio from 12:1 to 20:1. The revised leverage constraints provide meaningful protection to FHLBank System bondholders. The change will increase the availability of housing finance and increase the attractiveness of System membership.

EFFECTIVE DATE: January 29, 1993.

FOR FURTHER INFORMATION CONTACT: Michael J. Higgins, Director of Strategic Planning, (202) 408-2962, or James H. Gray Jr., Associate General Counsel, (202) 408-2552.

SUPPLEMENTARY INFORMATION:

Discussion

A. Background

Section 702 of the Financial Institutions Reform, Recovery and

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[3] The extent of collateralization is determined by current market value.

Enforcement Act of 1989, Public Law No. 101–73, 103 Stat. 183 (August 9, 1989) (FIRREA) charges the Federal Housing Finance Board (Finance Board), *inter alia*, with the duty to ensure that the Federal Home Loan Banks (FHLBanks) carry out their housing finance mission and "* * * remain adequately capitalized and able to raise funds in the capital markets * * *." 12 U.S C. 1422a(a)(3). The Finance Board raises funds through the issuance of consolidated obligations for which the FHLBanks are jointly and severally liable. The funds so raised enable the FHLBanks to make competitively priced advances available to members.

The change in the leverage ratio will provide the FHLBanks with greater flexibility to make more efficient use of their capital. In the view of the Finance Board, this flexibility is necessary for the FHLBanks to continue to provide reasonably priced advances to current and prospective members. This furthers the Finance Board's Congressionally-imposed duties to ensure that the FHLBanks carry out their housing finance mission and remain adequately capitalized and able to raise funds in the capital markets.

Through the first fifteen years of the FHLBank System's existence, the FHLBanks raised funds in the capital markets through the issuance of consolidated debentures under the authority of 12 U.S.C. 1431(b). The proceeds of the consolidated debentures were divided among the twelve FHLBanks to finance their operations. Each FHLBank received a portion of the consolidated debentures based on its anticipated operational needs. However, the ability of the FHLBank System to issue consolidated debentures was limited statutorily to an amount equal to five times the total paid-in capital of the twelve FHLBanks. See 12 U.S.C. 1431(b). Since each FHLBank member could then borrow up to twelve times the amount of its FHLBank stock, there was concern that the FHLBank System could become unable to borrow additional funds to meet member advance demand. See 47 Stat. 725, 731 (1932); formerly at 12 U.S.C. 1431(c) (repealed by Pub. L. No. 97–320, sec. 352, 96 Stat. 1507 (October 15, 1982)).

In 1946, the former Federal Home Loan Bank Administration (Bank Administration), the predecessor to the former Federal Home Loan Bank Board (Bank Board), retired the consolidated debentures issued pursuant to 12 U.S.C. 1431(b) to allow for the issuance of consolidated bonds pursuant to 12 U S.C. 1431(c).[1]

In connection with these changes, the former Bank Administration promulgated regulations which set forth the conditions and limitations under which it would issue FHLBank consolidated bonds. The regulations were first published at § 4.3(a) and § 4.3(f) of title 24 of the Code of Federal Regulations in substantially the same form as they remain today. See 11 FR 9925 (Sept. 10, 1946). More recently, these conditions were codified in the former Bank Board's regulations at 12 CFR 506.1 and 506.6 (1989 redesignated). After the enactment of FIRREA, the Bank Board's regulations were redesignated as § 910.1 and § 910.6 of the regulations for the newly created Finance Board. The only revision to the regulations at that time was the change in the agency's name. See 54 FR 36757 (Sept. 5, 1989).

Under the current regulations, there are two conditions for the issuance of consolidated obligations. First, there is a "leverage ratio requirement" in § 910.1 that dictates that the Finance Board cannot issue consolidated obligations in excess of 12 times the FHLBanks' total paid-in capital stock and reserves set out in 12 U.S.C. 1436. In addition to the leverage ratio requirement, § 910.1 also requires that the FHLBanks hold eligible assets, free and clear of any liens or pledges, in an amount greater than or equal to the amount of consolidated obligations outstanding (the "negative pledge requirement"). Although the Finance Board is making changes in both the leverage ratio and negative pledge requirements, the Finance Board is retaining both. Along with the FHLBanks' excellent credit record of never having suffered a credit loss, these limitations will continue to provide substantial protection to FHLBank System bondholders. These are in addition to the protections provided by the FHLBank System's strong capital position.

B. Comments on the Proposed Rule

On May 11, 1992, the Finance Board published a proposed rule and solicited public comment on all aspects of the proposed rule. See 57 FR 20061. The Finance Board received two comment letters. Comments were submitted by one financial trade association, and one non-FHLBank government-sponsored enterprise. Both commentators generally supported the proposed revisions. For example, one commentator stated that it "strongly endorses the thrust of the proposal and supports its immediate adoption." The commentator, however, suggested some minor modifications.

Both commentators found the increase in the leverage ratio to be appropriate. One commentator suggested that "relying solely on a leverage ratio could be unwise" because such a capital standard may not fully account for risk. The commentator proffered, as an example, that a significant increase in off-balance sheet obligations would increase risk but would not affect the capital required under the leverage ratio. To ensure that risks are fully identified, this commentator encouraged the Finance Board to consider adopting a dynamic risk-based capital standard similar in concept to that in the recently enacted government-sponsored enterprises legislation that will apply to the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Currently, the FHLBank System's off-balance sheet obligations are relatively small compared to its on-balance sheet obligations. Should that situation change, the final rule would permit migration to a new or supplemental capital standard.

Concern was expressed by one commentator over the proposed definition of capital accounts eligible to meet the leverage limit. This commentator thought that such accounts should be limited to paid-in capital and retained earnings. The commentator stated that "the role of loss reserve accounts should be to meet a companion risk-based capital requirement that would * * * consider the exposure from off-balance sheet liabilities."

The Finance Board sees merit in this comment and it has decided to specifically exclude loss reserves and deposit reserves set out in 12 U.S.C. 1431(g) from the definition of capital. The Finance Board also has made an conforming change to § 910.0(d) to clarify that allowances for losses for off-balance sheet obligations are excluded from the scope of liabilities covered by this leverage ratio. Thus, loss reserves are excluded from both the numerator and the denominator of the leverage ratio.

One commentator noted certain changes in the revised negative pledge requirement. This commentator assumed that appropriate Generally Accepted Accounting Principles (GAAP) for balance sheet carrying values would apply and that these items would be subject to prudent regulation

[1] 12 U.S.C. 1431(c) authorizes the Finance Board to issue consolidated bonds only if there are no outstanding debentures at the time of the issuance of consolidated bonds or if consolidated bonds are issued to refund all outstanding debentures.

by the Finance Board for the individual FHLBanks. This assumption is correct.

The language describing the required defeasance amount was questioned by one commentator who believed that the reinvestment income from the government bonds should be included when computing the required amount. In fact, investment income from the original investment was taken into account by the proposed rule. The Finance Board believes that the mechanism to defease the bonds without taking into consideration further investment or reinvestment income is the most prudent defeasance approach and provides the most security to the bondholders. The Finance Board has decided to retain the wording in the proposed rule.

Both commentators mentioned the provisions of § 910.6(b)(2), which describe the circumstances under which the Finance Board may further amend the leverage requirements. One commentator found the proposed rule language, "materially adverse effect on creditworthiness," to be ambiguous as to whether the investment banker certification provision should be interpreted as permitting no rating downgrade or as only assuring the continuation of current debt service and repayment of principal at maturity. The other commentator urged the Finance Board not to adopt § 910.6(b)(2). This commentator stated that responsibility for regulating the capital adequacy of government-sponsored enterprises should "remain in the public sector and not, in effect, be delegated to private firms with no public responsibility or accountability."

Changes may be made in the leverage requirements if the Finance Board receives either: (i) Written evidence from at least one major nationally recognized securities rating agency that the proposed change will not result in the lowering of its then-current rating or assessment on FHLBank senior bonds outstanding or next to be issued, or (ii) a written opinion from an investment banking firm that the proposed change would not have a materially adverse effect on the creditworthiness of FHLBank senior bonds. The Finance Board intends for materially adverse effect on creditworthiness to be interpreted as a lowering in the then-current rating or assessment on FHLBank senior bonds.

Despite these safeguards which ensure that any further changes in the leverage requirements will be safe changes, the Finance Board continues to see itself as the entity with primary responsibility for assuring a manageable debt level and overall safety and soundness. No amendment to the leverage requirements will be made except with the approval of the Finance Board and the Finance Board will not approve any change which is unsound.

One commentator also suggested that the Finance Board consider the definition of "mortgage assets" for purposes of the one percent portfolio-based requirement applicable to non- or low-users of the advances window. The Commentator did recognize that any major adjustment on this issue would require statutory revision.

C. Changes to the Current Regulations

The Finance Board appreciates the thoughtful comments on the proposed rule and has made adjustments in the final rule as a result of the comments. The Finance Board has determined that the FHLBank System needs the ability to increase the FHLBank System's leverage. Increasing the FHLBank System's ability to leverage its capital will enable the FHLBanks to offer lower advance rates, in turn making advances more attractive and enabling the FHLBank System to better accomplish its housing finance mission.

Section 910.0 defines certain terms. "Senior bonds" are the bonds subject to the leverage ratio, which currently includes all consolidated bonds outstanding. "Unsecured, senior liabilities" refers to certain obligations, such as deposits, that are accounted for as liabilities under GAAP. However, certain other liabilities, such as allowances for losses for off-balance sheet obligations, are specifically excluded from the definition. The Finance Board wishes to make it clear that, for purposes of the leverage ratio requirement and the negative pledge requirement, consolidated bonds and unsecured, senior liabilities are not deemed to be outstanding and are not taken into account in applying these requirements if such bonds or debts are deemed to be extinguished either through a legal defeasance or an in-substance defeasance.

Section 910.1 of the final regulations will increase the leverage ratio ceiling from 12:1 to 20:1. In addition, the debt component of the ratio is being changed to include not only senior bonds, but also unsecured, senior liabilities. The senior bonds in the debt component of the ratio specifically excludes any liabilities subordinated to the then-outstanding consolidated obligations.

The debt component of the leverage ratio is being changed to more accurately reflect the FHLBank System's current liability structure. In 1946, when the current regulations were originally promulgated, consolidated obligations comprised virtually all of the obligations of the FHLBank System. However, as the services offered by the FHLBanks have evolved over the last 45 years, member deposits have become a more significant item of the balance sheet. By modifying the leverage formula to take into account senior bonds and unsecured, senior liabilities, the revised rule provides a more comprehensive debt limitation test than current § 910.1. This enhances bondholder protection.

The final rule also changes the definition of capital for purposes of this calculation to include all paid-in capital stock, retained earnings and reserves (excluding loss reserves and section 11 reserves), rather than just paid-in capital stock and reserves under 12 U.S.C. 1436 as in the current regulation. The only change from the proposed rule is a clarification of the meaning of "reserves."

The final rule does not make any change in the Finance Board's control over the issuance of FHLBank obligations, including the terms of issuance. However, the final rule clarifies that the Finance Board can delegate this issuance responsibility.

To account for certain conservative investment opportunities that have emerged since 1946, § 910.1(c) of the final rule increases the types of assets that qualify for the negative pledge requirement. The final rule adds assets that are suitable investments for the FHLBanks under 12 U.S.C. 1436(a). These assets include: Obligations, participations or other instruments of or issued by the Federal National Mortgage Association or the Government National Mortgage Association; mortgages, obligations or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation; and such securities as fiduciary and trust funds may invest in under the laws of the state in which the FHLBank holding the investment is located.

Section 910.1(c)(6) adds an additional category of qualifying assets which permits the use of these other assets to meet the negative pledge requirement. The requirement that such investments have a rating or assessment at least equal to senior bonds, which currently enjoy the highest investment rating, provides bondholders with assurance that these investments will have a relatively conservative risk profile.

Finally, under the last clause of § 910.1(c), any assets securing certain obligations may be used to meet the negative pledge requirement. This final clause acknowledges that assets committed or pledged to the repayment of any consolidated obligations, whether

issued before or after these amendments, reduce, dollar for dollar, the amount of consolidated obligations to be repaid from unpledged assets.

The defeasance language in § 910.6 is made more precise in the final rule to clarify that if the Finance Board ever decides to retire bonds by defeasance, it could use a "net defeasance," whereby the anticipated interest on the defeasance escrow would be taken into account in determining the amount of obligations required for defeasance.

In addition to the mechanisms in § 910.6 that have historically permitted limited changes in the leverage ratio or the negative pledge requirement, the final rule allows the Finance Board to make changes in the leverage ratio requirement if the Finance Board receives written evidence from at least one nationally recognized securities rating firm that the change will not cause a reduction in the then current rating of senior bonds issued by the FHLBank System or next to be issued; or a written opinion from an investment banking firm that the proposed change would not have a materially adverse effect on the creditworthiness of senior bonds outstanding or those next to be issued.

The Finance Board has considered a number of alternatives in developing the final rule, including defeasance of the senior bonds and allowing the FHLBanks to issue individual non-consolidated debt pursuant to 12 U.S.C. 1431(a). The Finance Board decided against defeasance of senior bonds because the large dollar value of currently outstanding long-term senior bonds makes the cost of defeasance prohibitively expensive. The Finance Board decided against the issuance of individual FHLBank non-consolidated debt at this time because consolidated FHLBank debt is a strong and well understood product in the public debt markets. While non-consolidated FHLBank debt also would be strong, the Finance Board did not want to undertake the process of familiarizing the market with a new product at this time. The Finance Board believes that the approach selected is the one best suited to accomplish the Finance Board's housing finance mission prescribed by Congress.

Paperwork Reduction Act

No collection of information pursuant to section 3504(h) of the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*) is contained in the final rule. Consequently, no information has been submitted to the Office of Management and Budget for review.

Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. 96–354, 5 U.S.C. 601 *et seq.*), it is certified that this rule would not have a significant economic impact on a substantial number of small entities.

No small entities will be adversely affected by this rule. The FHLBanks, whose ability to raise capital will be enhanced by these changes, are not small entities. The rule increases the funds, in the form of advances, which can be made available to member institutions, including those which are small entities. The rule also provides adequate protection for bondholders, that might be small entities, by ensuring that creditworthiness of senior bonds will not be adversely affected.

List of Subjects in 12 CFR Part 910

Federal home loan banks.

Accordingly, the Federal Housing Finance Board amends title 12, chapter IX, subchapter A, part 910 of the Code of Federal Regulations as set forth below:

PART 910—CONSOLIDATED BONDS AND DEBENTURES

1. The authority citation for part 910 is revised to read as follows:

Authority: Sec. 2B, as added by 103 Stat. 183, 413 (12 U.S.C. 1422b); sec. 11 as amended by 103 Stat. 183, 418 (12 U.S.C. 1431).

2. Section 910.0 is added to read as follows:

§ 910.0 Definitions.

(a) *Board* means the Federal Housing Finance Board.

(b) *Consolidated bonds* means bonds or notes issued on behalf of all Federal Home Loan Banks.

(c) *Senior bonds* means consolidated bonds issued pursuant to 12 U.S.C. 1431 and this part and not defeased, other than bonds specifically subordinated to any then outstanding consolidated bonds.

(d) *Unsecured, senior liabilities* means all obligations of the Banks recognized as a liability under Generally Accepted Accounting Principles, except:

(1) Liabilities that are covered by a perfected security interest;

(2) Consolidated bonds;

(3) Bonds issued pursuant to 12 U.S.C. 1431(a); and

(4) Allowance for losses for off-balance sheet obligations.

3. Section 910.1 is revised to read as follows:

§ 910.1 Issuance of consolidated bonds.

(a) *General.* The Board will determine and authorize the issuance of all consolidated bonds, dates of issue, maturities, rates of interest, terms and conditions thereof, and the manner in which such bonds shall be issued, subject to the provisions of 31 U.S.C. 9108. The Board in its discretion may delegate this responsibility.

(b) *Leverage limit.* The Board shall not issue senior bonds, other than bonds issued to refund consolidated bonds previously issued, if, immediately following such issuance, the aggregate amount of senior bonds and unsecured, senior liabilities of the Federal Home Loan Banks exceeds twenty (20) times the total paid-in capital stock, retained earnings and reserves (excluding loss reserves and deposit reserves pursuant to 12 U.S.C. 1431(g)), of all the Federal Home Loan Banks.

(c) *Negative pledge requirement.* The Federal Home Loan Banks shall at all times maintain assets of the following types, free from any lien or pledge, in a total amount at least equal to the amount of senior bonds outstanding:

(1) Cash;

(2) Obligations of or fully guaranteed by the United States;

(3) Secured advances;

(4) Mortgages as to which one or more Federal Home Loan Banks have any guaranty or insurance, or commitment therefore, by the United States or any agency thereof;

(5) Investments described in section 16(a) of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1436(a)); and

(6) Other securities which have been assigned a rating or assessment by a major nationally recognized securities rating agency that is equivalent to or higher than the rating or assessment assigned by such agency on senior bonds outstanding.

Provided, however, that any assets of the types described in paragraphs (c)(1) through (6) of this section which are subject to a lien or pledge for the benefit of the holders of any issue of senior bonds shall be treated as if they were assets free from any lien or pledge for purposes of compliance with this provision.

4. Section 910.6 is revised to read as follows:

§ 910.6 Reservation of right to revoke or amend; limitations thereon.

(a) *General.* The right to revoke or amend this part, or to prescribe and issue supplemental or amendatory rules and regulations thereto, is hereby reserved.

(b) *Limitation on amendment of leverage limit or negative pledge requirement.* No revocation or relaxation of any of the restrictions or

requirements contained in or imposed by § 910.1 (b) or (c) shall be effected except:

(1) If there are no senior bonds then outstanding or if there shall have been deposited with the Treasurer of the United States, noncallable (or called) direct obligations of the United States of America or obligations fully guaranteed by the United States of America of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient to pay in full (together with any other moneys placed in trust and irrevocably committed for such payment and without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom) the principal of and interest to date of maturity or to such date designated for redemption and any redemption premium on all senior bonds the holders of which have not consented to such revocation or relaxation; or

(2) Section 910.1(b) may be changed by the Board in any manner if the Board receives either:

(i) Written evidence from at least one major nationally recognized securities rating agency which rates or makes an assessment of the senior bonds that such change in that provision will not result in the lowering of its then-current rating or assessment on senior bonds outstanding or next to be issued; or

(ii) A written opinion from an investment banking firm that such change would not have a materially adverse effect on the creditworthiness of senior bonds outstanding or next to be issued.

By the Federal Housing Finance Board.

Dated: December 21, 1992.

Daniel F. Evans, Jr.,

Chairman.

[FR Doc. 92-31452 Filed 12-29-92; 8:45 am]

BILLING CODE 6725-01-M

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Assistant Secretary for Housing—Federal Housing Commissioner

24 CFR Parts 201, 203 and 234

[Docket No. N-92-3525; FR-3368-N-01]

Loan and Mortgage Insurance; Changes to the Maximum Loan and Mortgage Limits for Single Family Residences, Condominiums and Manufactured Homes and Lots

AGENCY: Office of the Assistant Secretary for Housing-Federal Housing Commissioner, HUD.

ACTION: Notice of revisions to FHA maximum loan and mortgage limits for high-cost areas.

SUMMARY: This Notice amends the list of areas eligible for "high-cost" loan and mortgage limits under certain of HUD's insuring authorities under the National Housing Act (NHA). The Notice implements provisions of the fiscal 1993 Appropriations Act for the Department of Housing and Urban Development (Pub. L. 102-389, 106 Stat. 1571) approved by the President on October 6, 1992, to provide for increases in maximum loan and mortgage amounts for high-cost areas. This notice increases the single family maximum mortgage limits for Boston, MA PMSA; Brockton, MA PMSA; Lawrence-Haverhill, MA-NHMSA; New Bedford, MA MSA; Salem-Gloucester, MA PMSA; Worchester, MA MSA; Fall River, MA-RI PMSA; Lowell, MA-NH PMSA; Pawtucket-Woonsocket-Attleboro, RI-MA PMSA; New London-Norwich, CT-RI MSA; Providence, RI PMSA; Nashua, NH PMSA; Manchester, NH MSA; Bridgeport-Milford, CT PMSA; Bristol, CT PMSA; Danbury, CT PMSA; Hartford, CT PMSA; Middletown, CT PMSA; New Britain, CT PMSA; New Haven-Meriden, CT MSA; Waterbury, CT MSA; Norwalk, CT PMSA; Stamford CT PMSA; Poughkeepsie, NY MSA; Nassau-Suffolk, NY PMSA; New York, NY PMSA; Orange County, NY PMSA; Atlantic City, NJ MSA; Monmouth-Ocean, NJ PMSA; Bergen-Passaic, NJ PMSA; Middlesex-Somerset-Hunterdon NJ PMSA; Newark, NJ PMSA; Washington, DC-MD-VA MSA; Baltimore, MD MSA; Aurora-Elgin, IL PMSA; Lake County, IL PMSA; Galveston-Texas City, TX PMSA; Los Angeles-Long Beach, CA PMSA; Oxnard-Ventura, CA PMSA; Santa Barbara-Santa Maria Lompoc, CA MSA; Oakland, CA PMSA; Salinas-Seaside-Monterey, CA MSA; San Francisco, CA PMSA; San Jose, CA PMSA, Santa Cruz, CA PMSA; Santa Rosa-Petaluma, CA PMSA; Vallejo-Fairfield-Napa, CA PMSA; Redding, CA MSA; Sacramento, CA MSA; San Diego, CA MSA; Anaheim-Santa Ana, CA PMSA; Riverside-San Bernardino, CA PMSA; and Seattle, WA PMSA. Loans and mortgage limits are adjusted in an area when the Secretary determines that middle- and moderate-income persons have limited housing opportunities because of high prevailing housing sales prices. The 1993 Appropriation Act also imposes a 185 percent cap on any increases over basic dollar limits for Title I manufactured home loans.

EFFECTIVE DATE: December 30, 1992.

FOR FURTHER INFORMATION CONTACT: For single family: Morris Carter, Director, Single Family Development Division, room 9272; telephone (202) 708-2700. For manufactured homes: Robert J. Coyle, Director, Title I Insurance Division, room 9158; telephone (202) 708-2880; 451 Seventh Street, SW., Washington, DC 20410. (These are not toll-free numbers.)

SUPPLEMENTARY INFORMATION:

Background

The National Housing Act (NHA), U.S.C. 1703 and 1709 *et seq.*, authorizes HUD to insure loans and mortgages for single family residences (from one- to four-family structures), condominiums, manufactured homes, manufactured home lots, and manufactured homes and lots in combination. The NHA permits HUD to adjust the maximum loan and mortgage limits under most of these programs to reflect regional differences in the cost of housing. In addition, section 214 of the NHA provides for special high-cost limits for insured mortgages in Alaska, Guam, Hawaii, and the Virgin Islands.

The last comprehensive list of maximum mortgage limits was published on August 1, 1991 (56 FR 36980), listing all areas eligible for "high-cost" loan and mortgage limits under certain of HUD's insuring authorities under the National Housing Act, and the applicable limits for each area. Amendments to this annual listing were published on December 27, 1991 (56 FR 66975), April 13, 1992 (57 FR 12715) and September 24, 1992 (57 FR 44098).

Amendments to Title II of the NHA

Title II of the HUD Appropriations Act (the Act), amends section 203(b) of the National Housing Act (NHA) to restructure the manner in which maximum single family mortgage amounts are to be determined by HUD.